

Minnesota Sales and Use Tax

Instruction Booklet

Revised July 2009

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Need help with your taxes?

We're ready to answer your questions!

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or 1-800-657-3777

Minnesota Relay 711 (TTY)

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600 North Robert Street, St. Paul, MN 55146-6330

Hours: 7:30 a.m. – 5:00 p.m. Monday through Friday

Information in this booklet is available in other formats upon request for persons with disabilities.

File your return and pay tax electronically and subscribe to receive email updates regarding sales and use taxes at www.taxes.state.mn.us

MINNESOTA • REVENUE

Who needs to register?

You must register to collect sales tax if you make taxable retail sales in Minnesota. This includes sellers outside Minnesota who:

- have an office; distribution, sales, or sample room location; warehouse or other place of business in Minnesota, either directly or by a subsidiary;
- have a representative, agent, salesperson, canvasser, or solicitor in Minnesota, on either a permanent or temporary basis, who operates under the authority of the retailer or its subsidiary for any purpose, such as repairing, selling, delivering, installing, soliciting orders for the retailer's goods or services, or leasing tangible items in Minnesota;
- deliver items into Minnesota in their own vehicles; or
- provide taxable services in Minnesota.

See Revenue Notice #00-10, *Sales and Use Tax – Nexus Standards*, for criteria on determining when an out-of-state retailer is required to register, collect and remit Minnesota sales or use tax on sales made into Minnesota.

If you make retail sales in any cities, counties or other local taxing areas that have a local sales tax, you must also register to collect those local taxes (see *Fact Sheet 164, Local Sales and Use Taxes*, for a listing of local taxes).

If you sell only nontaxable items, you do not need to register for sales tax.

If you do not make taxable sales, but make purchases subject to use tax, you must register to remit use tax. See the section “Minnesota state and local sales and use taxes” on page 3 for more information about use tax.

It is against the law to make taxable retail sales or provide taxable services in Minnesota without being registered.

Affiliate nexus. Affiliates of Minnesota businesses are required to collect and remit Minnesota sales tax on sales made into Minnesota. An entity is an affiliate of a Minnesota business if the related entity promotes the affiliate's business or provides services to the out-of-state entity and the retailer and entity are related parties. A retailer and entity are related parties if at least one of the following is true:

- one of the parties owns directly or indirectly at least 50 percent of the other party's outstanding stock;

- one of the parties is a partnership, estate or trust that owns directly or indirectly at least 50 percent of the capital, stock, or value of the other party; or
- an individual stockholder or the stockholder's family owns directly or indirectly at least 50 percent of the value of outstanding stock of both entities.

For example, if two entities are related and the in-state entity advertises, promotes or facilitates the establishment or maintenance of a market in Minnesota for an out-of-state seller, the in-state entity creates nexus for the out-of-state seller.

In addition, if the in-state entity provides services to the out-of-state seller (such as accepting returns from the seller's customers, resolving complaints from the seller's customers, etc.), the in-state entity also creates nexus for the out-of-state seller.

How to register or report business changes

You may register for a Minnesota tax ID number online at: www.taxes.state.mn.us or by calling 651-282-5225 or 1-800-657-3605.

You must notify us if you:

- change your **legal organization** (from individual to partnership or LLC, partnership to corporation, etc.).
- **add or close** a location.
- begin making **sales in a city or county with a local tax** (see *Fact Sheet 164, Local Sales and Use Taxes*, for a listing of local taxes). If you file your return on the Internet, you can add a local tax when filing. If you file by phone, you must call our office to add a local tax.
- are in a locality that imposes a **new local sales and use tax**. (We will generally automatically add the new local tax.)
- begin selling a **product or service that is reported separately** such as liquor (on or off-sale), car rentals, waste hauling services, etc. If you file your return on the Internet, you can add these tax types when filing. If you file by phone, you must call our office to add them.
- find your taxable sales have increased so that you are **required to file more often** (see “General filing information” on page 12).

- close your business.

Notifying us of significant changes in the structure or location of your business will help you avoid tax bills and periods of non-compliance. If you have a Minnesota tax ID, you can make some changes on-line, or you can call our office.

Multiple locations

If you operate your business from more than one permanent physical location, you may choose to apply for separate Minnesota tax ID numbers and file separate tax returns for each location, or hold a single ID number and file one consolidated tax return for all locations.

Examples of separate physical locations:

- permanent storefronts where retail sales are made.
- kiosks in a mall.

The following are **not** separate physical locations:

- persons who sell at craft shows (unless the location is permanent).
- vending-machine operators who have more than one vending-machine location.
- persons who perform services at various locations, such as a janitorial service or a landscaper who moves from job to job at various locations.
- persons doing business from a vehicle that moves from place to place.

Operators of selling events

Before an operator of a county fair, craft show, art fair, flea market, trade show, or similar selling event can rent space to a person to sell at the event, the operator must have written documentation from the seller that they hold a valid sales tax registration, or a written statement from the seller that no taxable items are being sold. Form ST19, *Operator Certificate of Compliance*, is available for this purpose. You can find this form on our website at www.taxes.state.mn.us.

Anyone who pays consideration of any kind to sell at such an event is considered to be in business and must collect sales tax on all retail sales of taxable items unless it falls under the “occasional sales” provision.

Occasional sales provisions applicable at flea markets and similar events.

Continued

Who needs to register? (continued)

The law allows a seller at a flea market or other similar event to qualify for the isolated and occasional sales exemption if all of the following are met:

- The seller participates in only one event per calendar year that lasts no more than three days;
- The seller makes sales of \$500 or less during the calendar year; and
- The seller provides a written statement to that effect, and includes the seller's name, address, and telephone number.

An organizer can accept a written statement from sellers who make isolated or occasional sales indicating that they meet the above-mentioned criteria. The isolated and occasional sales provision for *businesses* does not apply at these events.

Penalty. Operators who do not have Form ST19 or a similar written statement from sellers can be fined \$100 for each seller that is not in compliance for each day of the selling event.

Fact Sheet 148, Selling Event Exhibitors and Operators; Revenue Notices 07-09 and 98-04.

Receive electronic updates

Subscribe to receive sales and use tax notices electronically, including updates to sales and use tax law changes, rules, fact sheets, and other related sales and use tax information.

To subscribe, go to our website at www.taxes.state.mn.us and click on "Sales and use tax" from the Tax Information menu. Then select "Subscribe to free email updates" and complete the requested information. You will receive an email to which you must reply before you can receive updates.

Minnesota state and local sales and use taxes

Sales tax

Minnesota has a 6.875 percent general sales tax rate. (The rate increased from 6.5 percent to 6.875 percent, effective July 1, 2009.)

The sales tax applies to retail sales of taxable services and/or tangible personal property made in Minnesota. Businesses collect the sales tax due on items and services sold at retail on behalf of the state. For details, see "Retail sales" on this page and "What's taxable?" on page 5.

Retail sales

Most retail sales are taxable in Minnesota. A "retail sale" means any sale, lease or rental of tangible personal property for any purpose other than resale, sublease or subrent.

Sales, leases and rentals are taxable regardless of quantity or whether the item is new or used, unless an exemption applies. Some services are also taxable.

Use tax

If you buy a taxable item for your own use without paying sales tax, you probably owe use tax. The tax rate is the same for both sales and use tax, and the same exemptions apply. Use tax is due on taxable items and services used in Minnesota if no sales tax was paid at the time of purchase. The general use tax rate is the same as the state's general sales tax rate, 6.875 percent. All general local sales taxes also have a corresponding use tax at the same rate.

While sales tax is collected by the seller and paid to the state by the seller, use tax is self-assessed and paid by the purchaser (end user). The purchaser pays the tax directly to the state.

Here are some cases when use tax is due:

- You buy taxable items by mail order, from a shopping channel, over the Internet, etc., and the seller doesn't collect Minnesota tax from you.
- You buy something exempt intending to resell it in your business, but instead take it out of inventory for business or personal use.
- A seller in another state or country does not collect any sales tax from you on a sale of an item that is taxed by Minnesota's law.
- A Minnesota seller fails to collect sales tax from you on a taxable item.
- An out-of-state seller properly collects another state's sales tax at a rate lower than Minnesota's. In this case, you owe the difference between the two rates.

Keep track of your purchases subject to use tax and report them when you report your sales tax. Also, keep a record of the purchases on which you paid use tax, noting the date reported and paid.

If you are located in an area that has one or more local taxes, be sure to also report the local use tax due.

Individuals as well as businesses owe use tax on taxable purchases when they have not paid sales tax. An individual, however, can purchase up to \$770 in taxable items for personal use without owing use tax. If the individual buys more than \$770 in a calendar year, that person owes use tax on all taxable items purchased that year. *This exemption does not apply to purchases from a seller who is required to collect Minnesota sales or use tax and does not.*

Individuals who owe use tax, but are not required to hold a sales tax permit, can file a use tax return annually, regardless of the total amount of purchases. These returns are due by April 15 of the following year. The return may be filed and paid using e-File Minnesota. Go to our website at www.taxes.state.mn.us and click on "Login to e-File Minnesota" on the e-Services menu, and enter your Social Security number. Select "Individual use tax" and follow the steps until you receive a confirmation notice.

You may also download Form UT1, *Individual Use Tax Return*, from our website, or contact our office for a copy.

For more information, see Fact Sheets 146, Use Tax for Businesses; and 156, Use Tax for Individuals.

Continued

Minnesota state and local taxes *(continued)*

Local taxes

We currently administer and collect several local sales and use taxes. The general local taxes apply to the same items that are taxed by the Minnesota sales and use tax law. You must be registered for any locality if you do business there.

To figure the tax, combine the state tax rate and all applicable local rates. Apply the total combined rate to the taxable sales price and round to the nearest full cent. (Rate charts are available on our website.)

Local taxes are reported at the same time you report your Minnesota sales and use tax, but the figures are reported separately. You must be registered for each local tax you report. Call our office to register for local taxes if you file by phone. If you file by Internet, please add the applicable local taxes when you file your return.

For more information about local taxes and an up-to-date list of localities that have local tax, see *Fact Sheet 164, Local Sales and Use Taxes*.

Rate charts

Rate charts are available at the following percentages. Download them from our website or call our office to request copies.

State rate - 6.875 percent

Various combinations of state and local tax:

6.875%	9.125%	10.775%
7.025%	9.375%	13.025%
7.125%	9.525%	13.275%
7.275%	9.625%	13.400%
7.375%	9.775%	13.525%
7.525%	10.025%	13.775%
7.625%	10.125%	16.025%
7.775%	10.275%	16.275%
7.875%	10.525%	

The sales tax rate for sales (not leases) of motor vehicles remains at 6.5 percent. A 6.5 percent rate chart is also available on our website.

A map of the various rates used in the seven-county metropolitan area is shown at right.

Figuring the tax

The following guidelines will help you determine the sales price on which the tax is charged.

- Deduct federal excise tax imposed directly on the customer if it is separately stated on the customer's bill.
- For trade-ins, charge sales tax on the difference between the price of the item you are selling and the trade-in allowance. The item traded must be a taxable item and something you normally sell in your

business. Otherwise, tax is due on the full price of each item.

- Do not charge sales tax on interest, financing and carrying charges on credit sales if they are separately stated on the customer's bill.
- Charge sales tax on shipping, handling and installation charges for taxable items.
- Charge sales tax on the total price of any taxable services. Do not deduct the cost of materials and supplies you used to provide the service.
- Deduct cash discounts, trade discounts or quantity discounts you give at the time of sale.
- When honoring one of your own coupons, subtract the coupon amount first,

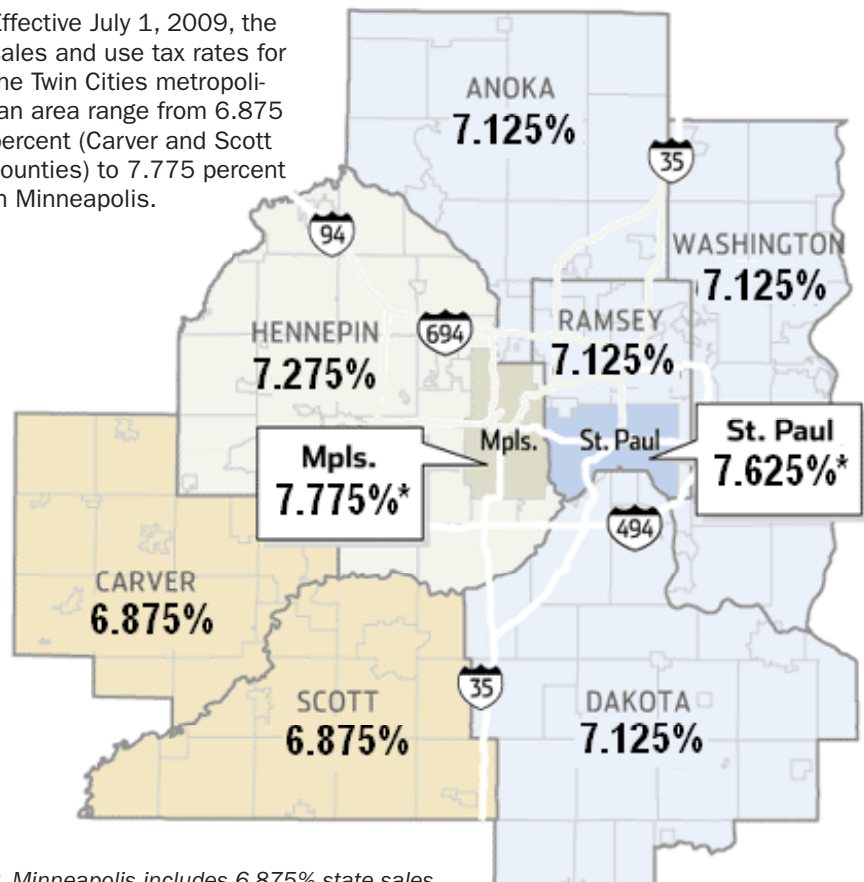
then charge sales tax on the remaining amount. Handle "two-for-one" and similar coupons the same way.

- When honoring a manufacturer's coupon, charge sales tax first, then subtract the coupon amount.
- Gift certificates are treated the same as cash. Charge sales tax, then subtract the gift certificate amount.

List the sales tax separately from the sales price for your customer whenever practical. You can include the tax in the selling price; however, you then must publicly post a notice that states that the price includes all applicable sales tax or state on the invoice that tax is included.

Twin Cities Metro Area Sales and Use Tax rates effective July 1, 2009

Effective July 1, 2009, the sales and use tax rates for the Twin Cities metropolitan area range from 6.875 percent (Carver and Scott counties) to 7.775 percent in Minneapolis.



* Minneapolis includes 6.875% state sales tax, 0.5% Minneapolis local sales tax, 0.15% Hennepin County sales tax, and the 0.25% transit improvement sales tax.

St. Paul includes 6.875% state sales tax, 0.5% St. Paul local sales tax, and the 0.25% transit improvement sales tax.

What's taxable?

Summary of taxable sales in Minnesota

Admission and amusement fees.

Fees to access health clubs, amusement devices, tanning facilities, spas, athletic facilities, golf clubs, ski hills, recreational areas (campgrounds, parks, trails, picnic grounds), movies, etc., are taxable. One-time initiation fees and membership dues to athletic clubs are also taxed. *Fact Sheet 124, Exercise Facilities and Health Clubs.*

Aircraft. *Fact Sheet 101, Aircraft.*

Building materials, supplies and equipment sold to owners, contractors, subcontractors and builders to build, alter, repair or improve real property. *Fact Sheet 128, Contractors.*

Cable and satellite TV services, including basic, premium, pay-per-view, digital, direct satellite, music services and other similar services. *Fact Sheet 119, Telecommunications Services.*

Candy and soft drinks. *Fact Sheets 102B, Candy; and 102C, Soft Drinks and Other Beverages.*

Computer software, packaged or canned. *Fact Sheet 134, Computer Software.*

Delivery charges (including shipping and handling) for taxable items or services. *Fact Sheet 155, Delivery Charges.*

Fabrication labor. Charges to produce, fabricate, print or process items, even if the customer directly or indirectly furnishes materials used. *Fact Sheets 152, Labor; 145, Industrial Production; 109, Printing; 169, Photography and Video Production; and 131 Automotive Repairs and Service.*

Fur clothing, including any shipping, transportation or finance charges.

Installation labor for taxable items or services. *Fact Sheets 152, Labor; and 131 Automotive Repairs and Service.*

Local governments. Sales to most local governments (including counties, cities, towns, commissions, boards and special taxing districts) are taxable. Some schools, hospitals, nursing homes, libraries and towns, however, can make exempt purchases (see *Sales to local governments* on page 10). *Fact Sheets 111, Schools – Sales and Purchases; 135, Fire Fighting, Police and Emergency Equipment; 139, Libraries; and 142, Sales to Governments.*

Lodging (including lodging for fewer than 30 days) and related services. *Fact Sheet 141, Hotels and Lodging Facilities.*

Machinery, equipment, tools, accessories, appliances, furniture and fixtures, either new or used. To determine if you qualify for a capital equipment refund, see *Capital equipment* in the “Claiming a refund” section on page 16. *Fact Sheet 103, Capital Equipment.*

Machinery, office equipment and other items sold by businesses that used the items in their trade or business. *Fact Sheet 132, Occasional Sales of Business Equipment and Goods.*

Meals and drinks prepared by the seller, including take-out orders and catering. *Fact Sheets 102D, Prepared Food; 118, Hospital and Nursing Home Meals; and 137, Restaurants and Bars.*

Motor vehicles. Leases and rentals of motor vehicles and sales of **vehicles that don't require registration**, such as all-terrain vehicles, mini-bikes, racing bikes, etc., are taxable. (Also see *Car rentals* on this page and *motor vehicles* in the “What's not taxable?” section on page 8.) *Fact Sheet 171, Motor Vehicle Leases.*

Prepaid telephone calling cards and recharging fees. *Fact Sheet 119, Telecommunications Services.*

Services. The following services are taxable. For more information, request the following fact sheets:

- 112 Building Cleaning and Maintenance (for commercial and residential buildings)
- 113 Motor Vehicle Towing, Washing, Rust-proofing
- 114 Detective and Security Services
- 119 Telecommunications Services
- 120 Laundry and Cleaning Services
- 121 Lawn and Garden Care, Tree and Bush Service, Landscaping
- 122 Pet Grooming, Boarding, and Care Services
- 162 Massages (not medically authorized)
- 166 Parking Services

Tobacco products (except cigarettes), including cigars, chewing tobacco, pipe tobacco, etc.

Utilities. Electricity, gas, fuel oils, coal, wood, water and telephone services are taxable. For more information, request the following fact sheets:

- 116 Petroleum Products
- 119 Telecommunications Services
- 129 Utilities Used in Production
- 145 Industrial Production
- 157 Residential Utilities

Also available: *Rule 8130.1100, Utilities and Residential Heating Fuels.*

Vending-machine sales of food, candy, gum, pop and other beverages, taxable items, and receipts from game machines and jukeboxes. *Fact Sheet 158, Vending Machines and Other Coin-Operated Devices.*

Special tax rates

Tax rates for some items are different from the general 6.875 percent rate.

Car rentals (additional 6.2% tax and 5% fee). In addition to the 6.875 percent state sales tax and any local sales tax, this tax and fee apply to most rentals of passenger cars, vans or pickup trucks for fewer than 29 days. *Fact Sheet 136, Motor Vehicle 6.2% Rental Tax and 5% Fee.*

Vehicle sales transit tax. Local sales tax does not apply to sales of motor vehicles. However, a \$20 transit improvement vehicle excise tax applies to sales of motor vehicles when the sale occurs in Anoka, Dakota, Hennepin, Ramsey, or Washington County. This excise tax must be collected and reported by any person in the business of selling new or used motor vehicles at retail. *Fact Sheet 164, Local Sales and Use Taxes.*

Liquor sales – two taxes apply. The 6.875 percent general sales tax rate and 2.5 percent liquor gross receipts tax apply to beer, wine and other alcoholic beverages sold at an on-sale or off-sale municipal liquor store or other establishment licensed to sell any type of intoxicating liquor. (If the establishment has only a 3.2 percent malt liquor license, the 6.875 percent tax rate applies.) *Fact Sheet 137, Restaurants and Bars.*

Continued

What's taxable? (continued)

Mobile homes and park trailers

(4.225%). If you're selling a new or used mobile home for residential use and this is the first time it is being sold in Minnesota, or if you're selling a park trailer, the sale is subject to a 4.225 percent tax rate. For mobile homes, the 4.225 percent tax applies to the dealer's cost. *Fact Sheet 150, Manufactured Homes, Park Trailers and Modular Homes.*

Waste management services

Waste management services are not subject to sales tax but are subject to the solid-waste management (SWM) tax. These taxes are reported on your sales and use tax return. *SWM Fact Sheet 1, Solid-Waste Management Tax.*

You must register for waste management taxes so you will be able to report them on your sales tax return. A penalty of 10 percent for the first violation and 20 percent for subsequent violations applies if the SWM tax is not reported on the appropriate lines of the sales tax return.

Waste management services for both mixed municipal solid waste and nonmixed municipal solid waste (construction and demolition waste, infectious and pathological waste, industrial waste) are subject to the SWM tax. Mixed municipal solid-waste management services include waste collection, transportation, processing, disposal, fuel surcharges, and compactor and container rental charges when made by the waste service provider.

Residential solid-waste management services (9.75%). Applies to mixed municipal solid-waste management services to residential generators, including amounts from selling bags or stickers to vendors for resale to residential generators.

Commercial solid-waste management services and self-haulers (17%). Applies to mixed municipal solid-waste management services to commercial generators and self-haulers, including amounts from selling bags or stickers to vendors for resale to commercial generators.

Construction and demolition waste and other non-mixed solid-waste services (\$.60 per noncompacted cubic yard). Construction and demolition debris is taxed at \$0.60 per cubic yard. If the service provider calculates its waste management service fee based on weight, an SWM tax charge of \$2 per ton can be used. The tax must be calculated using the same method as that used for the service charge.

What's not taxable?

Items exempt by law

When an item is exempt by law, the seller does not have to prove why tax wasn't charged other than showing the item was food, clothing, prescription drugs, etc.

Items exempt with an exemption certificate

When a purchaser gives a seller a fully completed exemption certificate at the time of sale, the seller does not have to collect sales tax. Form ST3, *Certificate of Exemption*, is used to claim exemption when buying taxable items. The purchaser can give a "single-purchase" certificate for just one transaction or a "blanket certificate" that applies to future purchases of qualifying exempt items.

Exemption certificates do not expire unless the information on the certificate changes; however, we recommend updating exemption certificates every three to four years.

If you want to develop your own certificate instead of using Form ST3, you must include the following information:

- purchaser's name and address
- purchaser's tax ID number and state of issue, or if none, purchaser's FEIN, or if none, purchaser's driver's license number
- seller's name and address
- purchaser's type of business
- reason exemption is claimed
- purchaser's signature and date

It is not acceptable for a customer to furnish only a tax ID number; the customer must furnish all of the above information.

If an exemption certificate is misused in an effort to evade paying sales tax, a penalty of \$100 for each transaction may apply.

Applying for certain exemptions

You must apply to the Department of Revenue to obtain a special exemption for the following:

- **Direct pay.** Allows the buyer to pay sales tax on certain items directly to the state instead of to the seller. Applicants must be registered to collect sales tax in order to qualify. Contact our office for information on the requirements and how to apply.

- **Motor carrier direct pay.** Allows motor carriers to pay tax directly to the state when they lease mobile transportation equipment or buy certain parts and accessories. Applicants must be registered for sales tax in order to apply. To apply, use Form MCDP-AP, *Motor Carrier Direct Pay Application*.
- **Nonprofit exemption.** Valid only for groups organized exclusively for charitable purposes, senior citizen groups, and religious and educational organizations. To apply, use Form ST16, *Application for Nonprofit Exempt Status-Sales Tax*.
- **Resource recovery facility exemption.** Allows resource recovery facilities and their contractors to buy waste processing equipment exempt. Contact our office for information on the requirements and how to apply.

Nontaxable items, uses and charges

Most nontaxable items are listed here. An exemption certificate or other documentation may be required. If you have a question about when to charge tax, contact us.

Admission tickets to regular-season games, events and activities for public and private schools, grades 1–12 and to games, events and activities sponsored by the Minnesota State High School League; admissions to artistic events sponsored by all public and private nonprofit colleges and universities in Minnesota if the event is held on the premises of the college or university; the Minnesota Zoo; artistic performances sponsored by qualified tax exempt organizations; and charitable golf tournaments when the beneficiary of the proceeds is a tax-exempt organization. *Fact Sheet 111, Schools–Sales and Purchases*.

Advertising materials shipped or transferred outside the state by the seller or the customer and used solely outside Minnesota. *Fact Sheet 133, Advertising– Creative Promotional Services; and Rule 8130.9250*.

Airflight equipment. Airplanes and repair parts sold to airlines. *Rule 8130.6000*.

Agricultural production materials includes horticulture, floriculture, aquaculture, silviculture, farming and maple-syrup harvesting. *Fact Sheets 100, Agricultural Production; and 130, Aquaculture Production Equipment*.

Ambulances leased by an ambulance service licensed by the Emergency Medical Service (EMS) Regulatory Board. *Fact Sheet 135, Fire Fighting, Police, and Emergency Equipment*.

Aquaculture equipment including repair or replacement parts used to maintain or repair qualifying equipment. *Fact Sheet 130, Aquaculture Production Equipment*.

Bullet resistant body armor purchased by licensed peace officers, and state and local law enforcement agencies. *Fact Sheet 135, Fire Fighting, Police and Emergency Equipment*.

Caskets, urns for cremains and burial vaults. *Fact Sheet 165, Funeral Homes, Mortuaries, Crematories and Cemeteries; and Rule 8130.6300*.

Cigarettes. Tax on cigarettes is collected at the distributor level rather than at the retail level.

Clothing and wearing apparel customarily worn on the human body for general use. *Fact Sheet 105, Clothing*.

Labor to **construct, repair or improve real property.** *Fact Sheet 128, Contractors*.

Conversion costs to make vehicles accessible to a disabled person. The exemption covers parts, accessories and labor to make a vehicle accessible to a disabled person. *Fact Sheet 125, Motor Vehicles Sales and Purchases*.

Court-reporter transcripts or copies of transcripts of verbatim testimony of legal proceedings to parties, or representatives of parties, involved in the proceedings.

Cross-country ski passes for the use of public trails. *Fact Sheet 123, Athletic Facilities, Recreational Areas, Resorts and Campgrounds*.

Custom computer software. *Fact Sheet 134, Computer Software*.

Deliveries arranged by the seller to customers outside Minnesota. *Fact Sheet 110, Items for Use Outside Minnesota*.

Detachable tools. Separate detachable units that are used in producing a direct effect upon the product and have an ordinary useful life of less than 12 months. *Fact Sheet 145, Industrial Production; and Rule 8130.5500, subp. 9*.

Continued

What's not taxable? (continued)

Direct mail. Allows the buyer to pay sales tax on direct mail directly to the state instead of to the seller. Direct mail is printed material that meets the following three criteria:

- it is delivered or distributed by U.S. Mail or other delivery service;
- it is sent to a mass audience or to addresses on a mailing list provided by the purchaser or at the direction of the purchaser; and
- the cost of the items is not billed directly to recipients.

Fact Sheet 173, Direct Mail and Fulfillment Services.

Direct pay. Certain items sold to persons who give you a fully completed exemption certificate indicating their Minnesota direct pay authorization. Note: The direct pay authorization does not apply to sales of services, meals and lodging, admissions, and motor vehicles. *Rule 8130.3400.*

Discounts offered by the seller at the time of sale. *Fact Sheet 167, Coupons, Discounts and Other Forms of Payment.*

Drugs. Most drugs, prescription or over-the-counter for use by humans. *Fact Sheet 117A, Drugs.*

Electricity and natural gas used as the primary source of residential heat for the billing months of November through April. *Fact Sheet 157, Residential Utilities.*

Electricity used to make snow for outdoor use for ski hills, ski slopes or ski trails. *Fact Sheet 129, Utilities Used in Production.*

Farm machinery, including repair or replacement parts (except tires) used to maintain or repair qualifying equipment. *Fact Sheet 106, Farm Machinery.*

Feminine hygiene products. Limited to tampons, sanitary napkins and panty liners. *Fact Sheet 117E, Health Product Exemptions.*

Automatic **fire-safety sprinkler systems** and all component parts (including water-line expansions and additions) are exempt when installed in an existing residential dwelling, hotel, motel, or lodging house with four or more dwelling units.

Food. Groceries for human consumption. Candy, soft drinks, food supplements and prepared food are taxable. *Fact Sheets 102A through 102E (on food products); and 115, Food Stamps.*

Fuel oil, coal, wood, steam, hot water, propane and LP gas used for residential heat on a year-round basis. *Fact Sheet 157, Residential Utilities.*

Fundraising sales. Sales made by or for nonprofit organizations may qualify for exemption if certain criteria are met. *Revenue Notice 03-14: Sales and Use Tax – Nonprofit Admission Ticket and Fund-raising Sales.*

Gasoline and other fuels on which Minnesota gasoline excise tax has been paid and not refunded. Other exemptions also apply (see *Petroleum products* on page 9). *Fact Sheet 116, Petroleum Products.*

Certain **health products.** *Fact Sheets 117A, Drugs; 117B, Durable Medical Equipment; 117C, Mobility Enhancing Equipment; 117D, Prosthetic Devices; 117E, Health Product Exemptions; 117F, Grooming and Hygiene Products.*

Horses and supplies for the care of horses, including feed and medications. *Fact Sheet 144, Veterinary Practice.*

Industrial production materials. Industrial production includes manufacturing, mining, printing, photography, lumbering and commercial fishing. *Fact Sheet 145, Industrial Production.*

Installment payments on previously reported credit sales.

Interest or finance charges incurred after the sale, if listed separately on the invoice.

Logging equipment and repair or replacement parts (except tires) used to maintain or repair the equipment. *Fact Sheet 108, Logging Equipment.*

Meals for children attending a child care or early childhood education program. Meals or drinks purchased for and served exclusively to children who are younger than 14 years of age or disabled children who are younger than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

- purchased by a qualified nonprofit child care facility that primarily serves families with income of 250 percent or less of federal poverty guidelines; and
- prepared at the site of the child care facility.

Meals and drinks served to patients in hospitals and nursing homes as part of their care. Meals and lunches served at pre-kindergarten through 12th grade schools are exempt. Meals and lunches served at colleges, universities and private career schools are taxable as of July 1, 2002, unless they are part of a student's board contract. *Fact Sheets 111, Schools– Sales and Purchases; 118, Hospital and Nursing Home Meals; and 137, Restaurants and Bars.*

Medical equipment including durable medical equipment, mobility enhancing equipment and prosthetic devices. *Fact Sheets 117B, Durable Medical Equipment; 117C, Mobility Enhancing Equipment; and 117D, Prosthetic Devices.*

Mill liners, grinding rods and grinding balls sold to taconite companies. *Fact Sheet 147, Taconite and Iron Mining; and Rule 8130.9600.*

Used **mobile homes** used for residential purposes. *Fact Sheet 150, Manufactured Homes, Park Trailers and Modular Homes.*

Mobile transportation equipment, accessories and parts sold to an interstate motor carrier who gives you a fully completed exemption certificate indicating they have been approved for motor carrier direct pay. *Fact Sheet 107, Interstate Motor Carriers.*

Sales of **motor vehicles** that must be registered and have a license plate (such as cars, trucks, trailers, motorcycles, mopeds and motor homes) are subject to sales tax at the time of registration with the Department of Public Safety. For answers to questions about the sales tax on motor vehicles, call the Department of Public Safety at 651-296-6911. *Fact Sheet 125, Motor Vehicles Sales and Purchases.*

Newspapers and publications regularly issued every three months or less. Over-the-counter sales of magazines and periodicals are taxable. *Fact Sheet 109, Printing Industry.*

Occasional sales of some business equipment. *Fact Sheet 132, Occasional Sales of Business Equipment and Goods.*

Packing materials used to pack and ship household goods to destinations outside Minnesota that will not be returned to Minnesota except in the course of interstate commerce.

Continued

What's not taxable? (continued)

Patent, trademark, and copyright drawings and documents. Some drawings, diagrams, or similar or related documents, or copies of these documents produced and sold by a patent drafter are exempt.

Personal computers and related software if specifically required for use in a public or private school, college, university, or business or trade school for regularly enrolled students. To qualify, the computers or software must be sold by the institution. *Fact Sheet 111, Schools—Sales and Purchases.*

Petroleum products. Petroleum products are exempt under the following conditions:

- Gasoline, motor fuel, natural gas and propane on which Minnesota gasoline excise tax has been paid and not refunded.
- Fuels used or consumed in agricultural or industrial production.
- Fuels for use in ambulances, municipal fire apparatus and marked police vehicles.
- Petroleum products used to improve agricultural land by constructing, maintaining and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment and other erosion-control structures.
- Petroleum products used in a passenger snowmobile for off-highway business use to operate a resort.
- Used motor oil.

Fact Sheet 116, Petroleum Products.

Prizes for games of skill or chance conducted at events such as carnivals, festivals and fairs lasting fewer than six days are exempt. Prizes for use at amusement parks, arcades, the State Fair and other events that last six days or more, and for lawful gambling or the state lottery are taxable. *Fact Sheet 148, Selling Event Exhibitors and Operators.*

Public safety radio communication system. Purchases of goods and services used to construct, operate, maintain and enhance the backbone system of the region-wide public safety communication system.

Real property. Sales of real property, rentals or leases of real property, and rentals of mobile homes used for residential purposes for more than 30 days.

Repair labor (except clothing repair) if listed separately on the invoice. *Fact Sheet 152, Labor.*

Resale. Goods and services purchased solely to resell, lease or rent in the regular course of business.

Sacramental wine used in religious ceremonies if sold by a nonprofit religious organization or by someone with a sacramental wine license.

Service materials. Materials, utilities, and short-lived detachable tools used or consumed in providing the following taxable services are exempt:

- Laundry and dry cleaning (*Fact Sheet 120*)
- Car washing and towing (*Fact Sheet 113*)
- Building cleaning and maintenance (*Fact Sheet 112*)
- Detective and security services (*Fact Sheet 114*)
- Pet grooming and animal boarding (*Fact Sheet 122*)
- Lawn care (*Fact Sheet 121*)
- Massages (*Fact Sheet 162*)

Ship repair and replacement parts and lubricants used by ships or vessels engaged principally in interstate or foreign commerce.

Ski areas. Tangible personal property used or consumed primarily and directly for tramways at ski areas or in snowmaking and snow grooming operations at ski hills, ski slopes or ski trails are exempt. For details, see *2000 Sales and Use Tax Law Changes*.

Solar energy systems. Solar energy systems are exempt. "Solar energy system" means a set of devices whose primary purpose is to collect solar energy and convert and store it for useful purposes including heating and cooling buildings or other energy using processes, or to produce generated power by means of any combination of collecting, transferring, or converting solar-generated energy.

Special tooling, i.e., tools, dies, jigs, patterns, gauges and other tooling that has value and use only for the buyer and only for the use for which it was made. An item has value only to the buyer if it is not standard enough to be stocked or ordered from a catalog or other sales literature but must be produced according to the buyer's special requirements, and is not commonly used by someone else whose conditions for use are reasonably similar to the buyer's. *Fact Sheet 145, Industrial Production.*

Telecommunications equipment used directly by a telecommunications service provider primarily to provide telecommunications services for sale at retail. *Fact Sheet 119, Telecommunications Services.*

Textbooks that are required for classes in public or private schools, colleges, universities, or business and trade schools when sold to regularly enrolled students. *Fact Sheet 111, Schools - Sales and Purchases; Rule 8130.6700.*

Trade-in allowances can be subtracted before figuring the tax if the items traded in are also taxable and sold by the retailer in the regular course of business. *Fact Sheet 167, Coupons, Discounts and Other Forms of Payment.*

TV commercials. TV commercials and items primarily used or consumed in pre-production, production or post-production of a TV commercial are exempt. *Fact Sheet 163, TV Commercials.*

Waste-management containers and compactors purchased by a waste management service provider to use in providing waste-management services are exempt. To qualify, the service provider must collect the solid-waste management tax on customer charges or on the lease or rental payments for the compactors or containers. Containers for recycling remain taxable.

Water utility services for residential use. Also exempt is unsweetened bottled water in any size container. *Fact Sheets 102C, Soft Drinks and Other Beverages; 157, Residential Utilities.*

Wind energy conversion systems and materials used to manufacture, install, construct, repair or replace them.

YMCA, YWCA and Jewish Community Centers of Greater Minneapolis and St. Paul memberships, both one-time initiation fees and periodic membership dues. Separate charges for the use of an association's sports and athletic facilities are taxable. *Fact Sheet 124, Exercise Facilities and Health Clubs.*

Continued

What's not taxable? (continued)

Sales to certain people and nonprofit organizations

The following organizations are allowed to purchase most items exempt from sales tax. To claim exemption, they must give a fully completed exemption certificate to the seller, indicating the applicable reason for exemption on the exemption certificate.

Charitable organizations must apply to the Department of Revenue and be granted exempt status. Once they receive approval, they can furnish a fully completed Form ST3 to the seller.

Consular officials. Sales tax exemption cards are issued to some foreign diplomats and consular officials stationed in this country. The card will list any limitations on the exemption. For example, some officials must pay tax on hotel room charges or on purchases under a certain amount.

If someone shows you a sales tax exemption card, check the card to make sure the purchase qualifies for the exemption. You may also ask for additional identification. If the purchase qualifies, write the individual's tax exemption number on your billing or sales invoice. Keep the invoice in your files.

Educational and religious organizations must give the seller a fully completed exemption certificate.

Federal government. All sales to the federal government and its agencies are exempt. The purchaser must provide a purchase order, payment voucher or work order. Form ST3 may also be used. Purchases by federal employees are taxable, even if they are reimbursed by the federal government.

Sales to local governments, including counties, cities, townships, commissions, boards, special taxing districts, etc., are taxable, except those briefly described below. The local government must give sellers a purchase order, payment voucher, work order or fully completed Form ST3 to purchase the following exempt from tax.

- Leases of vehicles used as **ambulances** by ambulance services licensed by the EMS Regulatory Board.
- **Biosolids processing equipment** and materials incidental to installation for wastewater treatment facilities.
- **Bullet-resistant body armor.**
- **Chore and homemaking services** for the elderly and disabled that are purchased by a local government specifically for elderly and disabled individuals.
- **Correctional facility meals for inmates.**
- **Emergency rescue vehicle** repair and replacement parts.
- **Firefighter personal protective equipment.**
- **Fuels** used in ambulances, fire apparatus and marked police vehicles.
- **Gravel, machinery, equipment and motor vehicles** (except pickup trucks) used exclusively for road and bridge maintenance if purchased by a town.
- Purchases by **hospitals and nursing homes** owned and operated by local governments.
- Purchases by public and legislative **libraries.**
- **Metropolitan Council.** MTC buses, light rail transit vehicles and repair parts.
- Purchases by **school districts** and public schools.
- **Solid-waste disposal facility** machinery and equipment.

- **Transit program** vehicles that meet certain criteria.

Fact Sheets 111, Schools – Sales and Purchases; 135, Fire Fighting, Police, and Emergency Equipment; 139, Libraries; and 142, Sales to Governments.

Non-Minnesota government agencies.

Sales to another state or another state's political subdivisions are not taxable if the sales would not be taxed in that other state. This exemption does not apply to sales of meals and lodging.

Resource recovery facilities must apply for and receive approval from the Department of Revenue. A fully completed Form ST3 must be given to the seller.

Senior citizen groups formally organized for pleasure, recreation and other nonprofit purposes must apply to the Department of Revenue for exempt status and provide a fully completed Form ST3 to the seller.

The **State of Minnesota** uses direct pay, which means that Minnesota state agencies do not pay tax to sellers on purchases of tangible items. A Minnesota state purchase order is enough to document the exemption, or an exemption certificate may be used indicating the direct pay authorization. Note: Charge tax on sales of services, meals and lodging, admissions, and motor vehicles to Minnesota state agencies since the direct pay authorization does not apply to these items.

Tribal governments. All sales to Indian tribal governments are exempt. *See Fact Sheet 160, Indians.*

Veteran groups can make purchases for charitable, civic, educational or nonprofit purposes by giving the seller a fully completed Form ST3.

Fact sheets

Fact sheets are available on many topics related to sales and use taxes. You can download them from our website at www.taxes.state.mn.us or contact our office to have them mailed to you.

A Step-by-Step Guide to Filing and Paying Sales and Use Tax Electronically, #170
Advertising - Creative Promotional Services, #133
Agricultural Production, #100
Aircraft, #101
Aquaculture Production Equipment, #130
Arts and Crafts, #154
Athletic Facilities, Recreational Areas, Resort and Campgrounds, #123
Automotive Repairs and Service, #131

Building Cleaning and Maintenance, #112

Candy, #102B
Capital Equipment, #103
Chiropractors, #151
Clothing, #105
Computer Software, #134
Contractors, #128
Coupons, Discounts and Other Forms of Payment, #167

Delivery Charges, #155
Detective and Security Services, #114
Dietary Supplements, #102E
Direct Mail and Fulfillment Services, #173
Direct Selling Companies, #168
Drugs, #117A
Durable Medical Equipment, #117B

Exercise Facilities and Health Clubs, #124

Farm Machinery, #106
Financial Institutions, #138
Fire Fighting, Police, and Emergency Equipment, #135
Food and Food Ingredients, #102A
Food Stamps, #115
Funeral Homes, Mortuaries, Crematories and Cemeteries, #165

Grooming and Hygiene Products, #117F

Health Care Facilities, #172
Health Product Exemptions, #117E
Hospital and Nursing Home Meals, #118
Hotels and Lodging Facilities, #141

Indians, #160
Industrial Production, #145
Interstate Motor Carriers, #107
Items for Use Outside Minnesota, #110

Labor, #152
Laundry and Cleaning Services, #120
Lawn and Garden Care, Tree and Bush Service, Landscaping #121
Libraries, #139
Local Sales and Use Taxes, #164
Loggers and Log Home Builders, #153
Logging Equipment, #108

Manufactured Homes, Park Trailers and Modular Homes, #150
Massages, #162
Meat Processors, #126
Minnesota State Fair - Sales Tax, #140
Mobility Enhancing Equipment, #117C
Motor Vehicle 6.2% Rental Tax and 5% Fee, #136
Motor Vehicle Leases, #171
Motor Vehicles Sales and Purchases, #125
Motor Vehicle Towing, Washing, Rustproofing, #113

Occasional Sales of Business Equipment and Goods, #132

Parking Services, #166
Pet Grooming, Boarding, and Care Services, #122
Petroleum Products, #116
Photography and Video Production, #169
Prepared Food, #102D
Printing Industry, #109
Prosthetic Devices, #117D

Residential Utilities, #157
Restaurants and Bars, #137

Sales to Governments, #142
Schools - Sales and Purchases, #111
Selling Event Exhibitors and Operators, #148
Soft Drinks and Other Beverages, #102C
Special Local Taxes: Mankato, Minneapolis, Rochester, St. Cloud, St. Paul, #164S

Taconite and Iron Mining, #147
Telecommunications Services, #119
TV Commercials, #163

Use Tax for Businesses, #146
Use Tax for Individuals, #156
Utilities Used in Production, #129

Vending Machines and Other Coin-Operated Devices, #158
Veterinary Practice, #144

Also available:
JOBZ Tax Exemptions Minnesota Job Opportunity Building Zones

General filing information

Your sales and use tax account is set up on either a monthly, quarterly or annual filing basis depending on how much tax you owe each month.

- **Annual** filing. Tax must average less than \$100 per month.
- **Quarterly** filing. Tax must average less than \$500 per month.
- **Monthly** filing. Tax averages more than \$500 per month.
- **Seasonal** filing. If your business is not open year-round, request seasonal filing. With seasonal status, you'll only need to file returns for those periods your business is open.
- **One-time** filing. If you plan to make taxable sales in Minnesota at only one event or during one month, ask for one-time filing. Do not apply for one-time filing if you plan to make taxable sales in the future.

If the amount of tax you report is consistently higher or lower than the limits, you can change your filing cycle when you log into e-File Minnesota to file or pay taxes. Click on "Update business info" on the Main Menu page, then click on the "Sales and Use tax" link in the left sidebar. If you don't have Internet access, call our office to have your account changed to another filing basis.

Due dates

You will not receive a notice to remind you to file your return or pay the tax due, so it's important to know the due dates listed below.

Monthly filers. 20th day of the following month.

Quarterly filers. April 20, July 20, October 20 and January 20.

Annual filers. February 5 of the following year. Annual filers must file on a calendar-year basis, not a fiscal or other basis.

Unregistered individuals filing annual use tax. April 15 of the following year.

When the due date falls on a Saturday, Sunday or legal holiday, the due date becomes the next business day. To be timely, your payment must be electronically received or postmarked by the due date.

Record-keeping

It's important to keep good records so you—and the department—figure the correct amount of state and local tax you owe. Your records should include:

- bills, receipts, invoices, cash-register tapes and any other original documents that support the entries in your account books;
- exemption certificates; and
- worksheets used to prepare your tax returns.

Your records should show both sales (taxable and nontaxable) and purchases, the rate of tax collected on each sale and any use tax you paid.

Accounting methods

Use the same accounting method for sales tax as you use for income tax. If you use the cash method, include only payments received in the period of the return. For an accrual method, include all cash sales, credit sales, installment sales and COD sales made during the period of the return.

If you want to change accounting methods, send us a letter explaining when and why you want to change, and showing that the new method will not make auditing your records more difficult. You cannot change your filing method until you receive our written approval.

Statute of limitations

We can audit your return within 3½ years after you file it. If there's an error in the amount of tax, and the difference between the original amount and the correct amount is 25 percent or more, we have 6½ years to audit the return. There is no time limit if we find you've fraudulently reported tax information or have not filed a return.

Penalties and interest

You will be charged penalties and interest if you don't file or pay what you owe on time. Shortage of available cash is not a valid reason for not filing a return and paying the tax because sales tax is not an out-of-pocket expense to the retailer. Sales tax collected by a retailer must be held in trust for the state until remitted on or before the appropriate due date. This money does not belong to the retailer and should not be used for any other business purpose.

We'll send you a notice if we don't receive your return or payment. If you have questions or believe we've made an error, call us immediately. We'll work with you to get your account current. If you disagree with the outcome, refer to the notice you receive for information on your right to appeal.

Failure to pay. If you don't pay the tax on time, the following penalties apply:

- 5 percent of the tax due if the payment is one to 30 days late;
- 10 percent if it is 31 to 60 days late;
- 15 percent if it is more than 60 days late.

Failure to file a return. Add an additional 5 percent to the above penalty if you also don't file your return on time. Even if your tax is paid timely, you must still file a return electronically, either over the Internet or by phone. A penalty will be imposed for failure to file a tax return within 30 days after written demand for filing the return is given to the taxpayer. The penalty is 5 percent of the tax not paid prior to the written demand or \$100, whichever amount is greater.

For those **required to pay electronically**. For mandatory and associated payers, an additional 5 percent penalty applies to payments not made electronically. (Refer to *Electronic payment required* on page 15.)

Repeated failure to pay. There is an additional penalty of 25 percent of the unpaid tax if you continually pay your tax late.

Local taxes. If you don't report local sales tax on the appropriate line of your sales tax return, the penalty is 5 percent of the amount of tax not properly reported on the return.

Consolidated returns. Location information must be provided for consolidated sales and use tax returns. A \$500 penalty applies for each return not containing location information. The privilege to file a consolidated return may be revoked and you may be required to register and file separately for each location.

Interest is figured on the total tax plus penalty at the following rates from the date you should have paid the tax until the date the total is paid:

2009 . . 5%	2006 . . 6%	2003 . . . 5%
2008 . . 8%	2005 . . 4%	2002 . . . 7%
2007 . . 8%	2004 . . 4%	

The same interest rates apply to refunds.

Continued

General filing information (continued)

The law allows various ways for us to collect unpaid taxes including cancelling your authorization to make sales in Minnesota, which prohibits you from doing business in the state. It's a felony to continue to make taxable sales after your authorization is revoked. There is also a civil penalty of \$100 for each day you continue to make taxable sales after authorization has been revoked.

Your rights as a taxpayer

As a Minnesota taxpayer, you have the right to clearly understand your rights and responsibilities under the law, and the Department of Revenue is responsible for helping you do so. Several brochures are available on our website or by calling our office. We also want you to know how your information is used, and what is considered public and private information.

Public vs. private information

Public information about businesses registered for sales and use tax includes:

- Minnesota tax ID number,
- name and address under which the business is registered,
- business name and location,
- registration date, and
- any registration cancellations.

If someone asks for specific information about your business, only the above information will be provided (*MS 270B.08, subd. 1*).

Private information includes the information you provide on your tax return, except for the public information listed above. Private information cannot be given to others without your consent except to the IRS, other states that guarantee the same privacy and certain government units as provided by law.

Why we ask for information. Your name, address, and Minnesota tax ID number are required for identification.

Your taxable sales and use tax purchases are required to determine your correct tax. If you don't provide this information, your return may not be accepted or processing of the return may be delayed. You may also be subject to civil and criminal penalties for not filing a return.

The information on your return may be compared with other information you have provided to the Department of Revenue.

Preparing to file your return

Before you start

You may need to make adjustments to your figures before you file your return.

If the following items apply to sales in the current period, subtract them from the appropriate tax type before you file. (To make changes to a prior period, file an amended return. See "Amending a return" on page 17.)

- Bad debts on sales previously reported if you have written them off for federal income tax purposes.
- Cash or credit refunds given to customers.
- Checks that are returned for nonsufficient funds if you are on the cash method of accounting.

Be sure to adjust the correct tax type. For example, if a customer returns an item that was subject to Minnesota sales tax and transit improvement tax, be sure to adjust both state and transit improvement sales tax types.

Subtracting sales tax from receipts

If your total receipts include sales tax, you must subtract the tax from the total receipts before filing your return.

If receipts include tax at rate:	Divide receipts by:	OR	Multiply by:	If receipts include tax at rate:	Divide receipts by:	OR	Multiply by:
6.875%	1.06875		0.93563	9.775%	1.09775		0.91091
7.025%	1.07025		0.93432	10.025%	1.10025		0.90884
7.125%	1.07125		0.93345	10.125%	1.10125		0.90802
7.275%	1.07275		0.93214	10.275%	1.10275		0.90678
7.375%	1.07375		0.93127	10.525%	1.10525		0.90473
7.525%	1.07525		0.92997	10.775%	1.10775		0.90269
7.625%	1.07625		0.92911	13.025%	1.13025		0.88472
7.775%	1.07775		0.92782	13.275%	1.13275		0.88277
7.875%	1.07875		0.92696	13.400%	1.13400		0.88183
9.125%	1.09125		0.91634	13.525%	1.13525		0.88082
9.375%	1.09375		0.91424	13.775%	1.13775		0.87889
9.525%	1.09525		0.91299	16.025%	1.16025		0.86185
9.625%	1.09625		0.91216	16.275%	1.16275		0.85999

Example: All prices at your restaurant include Minnesota sales tax only. The total taxable sales at the end of the month are \$10,000. Divide \$10,000 by 1.06875 (or multiply by .93563) to remove the Minnesota tax (\$10,000 ÷ 1.06875 = \$9,357). Report \$9,357 on the General rate sales line.

Continued

Preparing to file your return (continued)

Sales tax types

When you file electronically, you will be asked to enter figures for only the tax types for which you are registered.

If you file over the Internet, you can add additional tax types to your return by clicking "Add a sales tax type."

If filing by phone, you must register for any additional tax types before you file. Call 651-282-5225 or 1-800-657-3605.

Following are all the tax types that can be reported on the sales and use tax return.

Gross receipts

Report total receipts or sales from all business operations for Minnesota during the reporting period (what you report as Minnesota receipts for income tax). Include all taxable and exempt sales, leases and rentals. Do not include sales tax. You must always enter an amount for gross receipts. If you don't have gross receipts to report, enter zero.

General rate sales (6.875%)

Report all taxable sales, including liquor sales, leases, rentals and services subject to the 6.875 percent tax rate. Be sure to include sales subject to local tax here and on the appropriate local tax line.

General rate sales (Prior to July 2009)

Report all taxable sales made prior to July 1, 2009, including liquor sales, leases, rentals and services subject to the 6.5 percent tax rate. Be sure to include sales subject to local tax here and on the appropriate local tax line.

Use tax purchases (6.875%)

Report the purchase price of taxable items bought for business or personal use that were not taxed when you bought them. Include only amounts subject to the full 6.875 percent tax rate. *Fact Sheet 146, Use Tax for Businesses.*

Note: Include any use tax purchases made prior to July 2009 on the Variable-rate purchases line.

Variable-rate purchases

If you bought items in another state and paid sales tax at a rate lower than Minnesota's rate, you owe the difference between the Minnesota rate and the rate paid to the other state. You must enter the purchase price of the items and the difference in the tax amount.

Example: If you bought a computer in another state for \$3,000 and paid 4 percent tax, you owe 2.875 percent use tax ($6.875\% - 4\% = 2.875\%$) to Minnesota. Enter \$3,000 for the variable-rate purchases taxable amount and

\$86.25 for the tax amount ($\$3,000 \times 2.875\% = \86.25 ; round to \$86). *Fact Sheet 146, Use Tax for Businesses.*

Local city and county taxes

The local taxes that you are registered for will show on your sales and use tax return. Report all taxable sales, leases, rentals and services subject to local tax on the appropriate line. For a current list and information about local taxes, see *Fact Sheet 164, Local Sales and Use Taxes*. For information about the special local taxes that apply to restaurants, liquor, lodging, and entertainment, see *Fact Sheet 164S, Special Local Taxes: Mankato, Minneapolis, Rochester, St. Cloud, St. Paul.*

Liquor gross receipts sales (2.5%)

Two taxes apply — the 6.875 percent general sales and use tax rate and 2.5 percent liquor gross receipts tax. These taxes apply to beer, wine and other alcoholic beverages sold at businesses licensed to sell any type of intoxicating liquor. In addition to reporting liquor sales on the General rate sales line, you must also report liquor sales on the Gross receipts liquor line and on any applicable local tax lines.

Note: If the establishment has only a 3.2 percent malt liquor license, only the 6.875 percent tax rate and any local tax applies.

Liquor gross receipts use tax purchases (2.5%)

Two taxes apply — the 6.875 percent general sales and use tax rate and 2.5 percent liquor gross receipts use tax. Report the purchase price of taxable beer, wine and other alcoholic beverages bought for business or personal use that were not taxed when you bought them. In addition to reporting liquor purchases on the Use tax purchases or Variable-rate purchases line, you must also report liquor purchases on this line and on any applicable local tax lines.

Motor carrier direct pay (MCDP) purchases

If you have Motor Carrier Direct Pay (MCDP) authorization, add all purchases of qualifying repair parts and accessories, and leases of mobile transportation equipment. Enter this amount as the taxable amount for MCDP purchases. Multiply this figure by your Minnesota prorate mileage percentage, and then multiply the result by the 6.875 percent tax rate. Enter the result as the tax amount.

Example: You paid \$4,000 for repair parts. Your Minnesota prorate mileage percentage is 5 percent ($\$4,000 \times 5\% = \200 ; $\$200 \times 6.875\% = \13.75 ; round to \$14). You would enter \$4,000 as the taxable amount and \$14 as the tax amount. *Fact Sheet 107, Interstate Motor Carriers.*

Mobile home sales (4.225%)

Report the sale of a mobile home if it is the first time it is registered in Minnesota and if it will be used for residential purposes. For mobile homes, enter the dealer's cost of the mobile home. For new and used park trailers, report the selling price. *Fact Sheet 150, Manufactured Homes, Park Trailers and Modular Homes.*

Car rentals (6.2%)

Report leases or rentals of passenger automobiles, vans or pickup trucks for periods of fewer than 29 days. Also include these sales on the General rate sales line. *Fact Sheet 136, Motor Vehicle 6.2% Rental Tax and 5% Fee.*

Car rentals (December only – 5%)

This fee is intended to reimburse lessors for the cost of registering vehicles and is only reported once per year on the December return.

Add the total amount of 5 percent fees collected during the calendar year and enter it when prompted. To figure the amount of tax, subtract the actual registration tax you paid on the vehicles (which you report on the Registration taxes paid line) from the total amount collected and enter the difference. If the amount is less than zero, enter zero. *Fact Sheet 136, Motor Vehicle 6.2% Rental Tax and 5% Fee.*

Registration taxes paid

Report the actual registration tax you paid on the vehicles you rented. This is only reported once per year on the December return. *Fact Sheet 136, Motor Vehicle 6.2% Rental Tax and 5% Fee.*

Residential solid-waste management (SWM) services (9.75%)

Report mixed municipal solid-waste management services to residential generators, including amounts from selling bags or stickers to vendors for resale to residential generators. *SWM Fact Sheet 1, Solid-Waste Management Tax.*

Commercial SWM services (17%)

Report mixed municipal solid-waste management services to commercial generators and self-haulers, including amounts from selling bags or stickers to vendors for resale to commercial generators. *SWM Fact Sheet 1, Solid-Waste Management Tax.*

Non-mixed municipal solid-waste (Non-MMSW) SWM services (\$.60 per noncompacted cubic yard)

List the total number of noncompacted cubic yards of waste. *SWM Fact Sheet 1, Solid-Waste Management Tax.*

Filing electronically

You can both file and pay using e-File Minnesota over the Internet. If you don't have Internet access, a telephone option is available. Use e-File Minnesota to:

- file current and past due returns
- pay current and past due returns
- file amended returns

File early—pay later. Using e-File Minnesota, you can file your return early but schedule the electronic withdrawal of your payment for the due date. Other methods of payment are explained below—but you must still file your return electronically through e-File Minnesota.

Due dates. You will not receive a notice in the mail to remind you to file your return so it's important to remember the due dates listed below. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day becomes the due date.

- **Monthly filers** – 20th day of the following month.
- **Quarterly filers** – April 20, July 20, October 20, and January 20 of the following year.
- **Annual filers** – February 5th of the following year.

If you do not owe any tax, you must still electronically file your sales and use tax return.

Filing by Internet or phone

For detailed information on how to file, see *Fact Sheet 170, A Step-by-Step Guide to Filing and Paying Sales and Use Tax Electronically*.

To file on the Internet, go to our website at www.taxes.state.mn.us and click on "Login e-File Minnesota" on the e-services menu.

If you don't have Internet access, call 1-800-570-3329 to file by touch-tone phone.

Note for first-time users: If you're using the e-File Minnesota system for the first time and you need a temporary password to access the system, call the Registration Services office at 651-282-5225 or 1-800-657-3605.

Multiple users. More than one user can be set up to file and pay a business's taxes through e-File Minnesota on the Internet. One person acts as the "password administrator" and is in charge of setting up users, assigning them passwords, and giving them access to file and pay taxes for the business. The password administrator can change a user's password and access rights, remove a user or add another user at any time by clicking "Administer multiple users" from the main menu.

Consolidated filers. If you file a consolidated return, you must use the Internet to file. You can either enter the return information for each location separately, or attach an electronic spreadsheet with information for all locations. For either method, follow the instructions for consolidated filers on the department's website under "e-File Minnesota Help." Go to www.taxes.state.mn.us and login to e-File Minnesota. Click on the Help tab toward the top of the screen and select "File a consolidated sales and use tax return."

Paying the balance due

You must pay your sales and use tax in one of the following ways.

Electronically with e-File Minnesota.

This is the easiest and most convenient way to pay your tax—and it's free. You can do it at the same time you file your return, and you'll get a confirmation number so you'll know your transaction is completed. Follow the prompts on the Internet or phone system. You'll need your bank's routing number and your account number.

Electronically by credit method. Credit payments are initiated by you through your financial institution. You authorize your bank to transfer funds to the state's bank account. The bank must use ACH file formats available at www.taxes.state.mn.us or by calling our office. You could be charged by your bank for each transaction.

Fed Wire. Fed Wire payments are initiated by you through your financial institution. Most financial institutions are able to include information needed to post a Fed Wire payment (Minnesota tax ID number, tax-type code, period of payment). If your financial institution is unable to include the payment details, you should enter the details by submitting a Fed Wire notification through the e-File Minnesota system. If you don't have Internet access, call our office for more information.

By paper check. If you pay by check, you must complete the payment voucher you received in the mail and send it with your check. This option is not allowed for those required to pay electronically (see below). Mail them to: Minnesota Revenue, P.O. Box 64622, St. Paul, MN 55164-0622. We'll continue to send you payment vouchers as long as you use them. Once you pay electronically, we'll stop sending vouchers; however, you can call us to request a voucher at any time.

Electronic payment required

Mandatory electronic payments. If you have a sales and use tax liability of \$10,000 or more in the state's fiscal year (July 1 – June 30), you must pay all taxes electronically beginning with the next calendar year.

Associated payers. If you are required to pay any business tax type to the Department of Revenue electronically, you must pay all business taxes electronically.

When you fall into one of the above categories, there will be a message on the screen when you log into e-File Minnesota to file your sales tax return on the Internet. This message will appear for a short time to initially notify you of the requirement.

Penalty. If you are required to pay electronically and do not, a 5 percent penalty (in addition to regular penalties) applies to payments not made electronically, even if a paper check is sent on time or early.

June accelerated payment. If you have a sales and use tax liability of \$120,000 or more in the state's fiscal year (July 1 – June 30) you must make an accelerated payment in June of the following year. The following accelerated tax payment provisions apply to the June payment only. You must pay one of these amounts:

- 90 percent of your actual June liability, or
- 90 percent of your May liability, or
- 90 percent of your average monthly liability for the previous calendar year.

The June accelerated payment is due two business days before June 30, and the remaining payment and return for June will be due August 20. If you do not make an accelerated payment by two business days before June 30, you will be subject to a penalty. You are also subject to a penalty if you underpay your accelerated tax. That penalty is 10 percent of the difference between what you are required to pay and what you did pay.

If you are required to make an accelerated payment in the past but your tax liability is now below \$120,000 for the prior fiscal year, you are not required to make a June accelerated payment. You must file your June return and pay your June tax by July 20.

To avoid possible penalties and interest, it is important to review your account to ensure that you are filing and paying properly.

Claiming a refund

Capital equipment

Use Form ST11, *Capital Equipment Refund Claim* to claim a refund for capital equipment. To qualify, the equipment must be used for manufacturing, fabricating, mining or refining tangible items to be sold ultimately at retail; electronically transmitting results retrieved by a customer of an on-line computerized data-retrieval system; or for generating electricity or steam to sell at retail. You may file only two capital equipment refund claims per year. *Fact Sheet 103, Capital Equipment*.

For *sales tax* paid to a seller, the claim must be filed within 3½ years from the 20th day of the month following the month of the invoice date for the purchase of the capital equipment. For *use tax* paid directly to the state, the claim must be filed within 3½ years from the due date of the return on which the use tax was due, or one year from the date of an order assessing tax, if the tax, penalties and interest shown on the order have been paid in full, whichever period expires later.

Purchaser refunds

Use Form ST11-PUR, *Purchaser Sales Tax Refund Claim*, to claim a refund of sales tax paid to a vendor in error. You may file only two purchaser refund claims per year. To qualify, you must be registered to report sales or use tax and the total amount requested on each refund claim must be over \$500 in tax.

A purchaser claim for refund must be filed within 3½ years from the 20th day of the month following the month of the invoice date for the purchase.

Tax paid on audited periods

Use ST11-AUD, *Claim for Tax Paid on Periods Audited for Sales and Use Taxes*, to file a claim for refund of Minnesota sales, use and/or local taxes assessed on a sales and use tax audit that has been paid in full. The refund claim must be filed within 3½ years from the date the tax was due or one year from the date of an order assessing tax, whichever is later. You must attach the audit report and all audit schedules and exhibits.

Utilities service providers

Use Form ST11-UL, *Utilities Sales Tax Refund Claim*. Utilities service providers may use this form to claim refunds of Minnesota sales tax and any related local sales taxes remitted on behalf of their customers who are now claiming exemption for multiple periods. This claim form cannot be used to claim refunds of purchases.

To qualify:

- you must be in the business of providing utility services to customers and be currently registered to collect and remit Minnesota sales tax,
- you must be adjusting taxable sales figures for more than one period, and
- you must have refunded the tax collected back to your customers.

The claim must be filed within 3½ years from the 20th day of the month in which the tax was originally due. Refer to the form for instructions on how to file and the documentation required to be submitted with your claim.

Disabled veterans

Use Form ST11VA, *Claim for Refund-Veteran's Homestead*. Disabled veterans may be eligible for a refund of sales tax paid on building materials used to construct or remodel their homes. To qualify, the construction or remodeling must be financed under a special federal grant program administered by the Department of Veterans Affairs.

A claim for refund may be filed up to 3½ years from the date the return was due or one year after the order date assessing tax on an audit.

Special purchase refunds

Use Form ST11P, *Special Purchase Refund Claim*, to claim a refund of sales or use tax paid on the following:

A claim for refund may be filed up to 3½ years from the date the return was due or one year after the order date assessing tax on an audit.

- **Border city zones.** The cities of Breckenridge, Dilworth, East Grand Forks, Luverne, Moorhead and Ortonville may designate areas as "border city development zones."

Businesses may be eligible for a refund of sales or use tax paid on machinery, equipment and repair parts used in a trade or business in one of these cities if the machinery or equipment has a useful life of at least 12 months.

Owners, users or contractors may also be eligible for a refund of sales or use tax paid on construction materials used to construct a facility for use in a trade or business located in one of these cities.

Sales or use tax may be refunded for building materials for housing in the zone.

A business must first obtain a tax credit certificate from the city authorizing the refund. You may file only two special purchase refund claims per year.

- **Elevators, stair lifts or ramps for disabled.** A refund may be claimed on sales tax paid on a stair lift, ramp or elevator installed at a disabled person's principal residence. The stair lift, ramp or elevator must be authorized by a physician. The refund also applies to materials used to install or construct these items.

- **Correctional facilities.** Cities and counties may be eligible for a refund of sales tax paid on construction materials and supplies used to construct or improve an adult or juvenile correctional facility.

To qualify, the project must be required by state or federal law, rule or regulation. If materials are purchased by a contractor or builder, the contractor must give a statement to the local government stating the cost of the construction materials and supplies and the sales tax paid.

- **Low-income housing projects.** The owner of a low-income housing project may be eligible for a refund of sales or use tax on materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement or expansion of qualified low-income housing projects.

To qualify, both the housing project and the owner must meet specific guidelines provided by statute (*MS 297A.71, subd. 23*). The refund applies to the facility owner or to contractors for use on qualifying projects. Call our office for details.

- **Biotechnology and health sciences zone.** Businesses in a zone designated by the Department of Employment and Economic Development (DEED) as a biotechnology and health sciences industry zone may be eligible for a refund of sales or use tax paid on goods and services used in the zone, and on construction materials and supplies for construction of real property in the zone. Businesses must apply for and receive a tax credit certificate from DEED to qualify for exemption. Qualifying businesses may apply for a refund.
- **Motor carriers.** Interstate motor carriers may get a refund of part of the sales or use tax paid before receiving motor carrier direct pay authorization on purchases or leases of interstate transportation equipment, or on parts and accessories for the equipment. Contact the vendor or file Form ST-11PUR for sales or use tax paid in error after obtaining the motor carrier direct pay authorization. *Fact Sheet 107, Interstate Motor Carriers*.

Amending a return

If an error was made on a sales and use tax return that was filed, you must file an amended return to correct the error using e-File Minnesota, either over the Internet or by phone.

However, consolidated filers must use the Internet system to file amended returns. Our phone filing system is not available for consolidated filers.

The procedures for amending Minnesota sales and use tax filings changed in December 2008. You no longer are required to calculate the difference between amounts originally reported and the correct amounts. You will be prompted to enter the corrected amounts instead.

The option to file multiple period amended returns is no longer available. You are required to separately file each return requiring an adjustment.

You must file an amended return if you:

- did not report enough tax on your original return;
- reported too much tax on your original return;
- charged an incorrect tax rate on an item and will refund the tax to the purchaser;

- charged sales tax on an item you shipped directly to another state (or another city or county if local sales taxes are applicable) and refunded the tax to the purchaser;
- charged sales tax on nontaxable items and refunded the tax to the purchaser;
- received a valid exemption certificate from a customer to exempt a sale reported in a prior period and refunded the tax to the purchaser;
- Reported sales or purchases in the wrong tax type.

Do not use an amended return for adjustments you can make on a current return, such as adjustments for:

- bad debts
- cash or credit refunds
- returned checks

Do not use an amended return to claim a refund of sales or use tax paid for the following situations. Instead, use the specific form indicated below (for more information about claiming a refund, see page 16):

- capital equipment (use Form ST11)
- purchasers claiming a refund of tax paid to vendors in error (use Form ST11-PUR)

- motor carriers who have been issued MCDP (Motor Carrier Direct Pay) authorization (use Form ST11P for purchases made before your MCDP was issued; use Form ST11-PUR for purchases made after your MCDP was issued)
- correctional facilities (use Form ST11P)
- stair lifts, elevators and ramps for the disabled (use Form ST11P)
- low-income housing projects (use Form ST11P)
- other special construction contract exemptions, border city zones, etc. (use Form ST11P)
- disabled veterans (use Form ST11VA)
- taxpayers claiming a refund of tax paid in error on a sales and use tax audit (use Form ST11-AUD)

Amended returns may be filed up to 3½ years from the date the return was due or one year after the order date assessing tax (i.e., on an audit).

Keep all supporting documents for any amended returns in your records. These must be made available to the department if your business is audited. If we find that the amended returns were in error, you could be billed for the tax plus penalty and interest.

Continued

Example

You made sales to an organization in the month of May 2008, charged sales tax, and reported the tax on your monthly return. Later, the organization gave you a valid exemption certificate and requested a refund of the tax paid in error.

The sales incorrectly taxed were:

Month of May 2008

Gross receipts	\$5,500
Original general rate taxable sales	3,500
Corrected general rate taxable sales	3,000
Original sales tax paid	228

Filing by Internet

1. Select **File an amended return**. Choose the ending period for the return you are amending from the drop-down box. (If you choose "Other Period," another screen will open. Select the ending period for the return you are amending.) Click Continue.
2. Select the reason for amending the return. Enter a contact name, phone

number and explain the reason for the change in the text box. Click Continue.

3. Enter "5500" in the *Gross receipts* line, (there is no adjustment to this amount).
4. Enter "3000" (the corrected amount) on the *General rate sales* line.
5. Enter "228" (the amount of sales tax paid on the original return) on the *Total payments for the tax period* line.
6. Click Calculate to figure the tax. The system will automatically calculate the refund or amount due. In this example, there would be a tax refund of \$33.
7. Click Continue to file the amended return.
8. Print or save the confirmation number for your records.

Filing by phone

1. Press 3 to amend a return. Enter the ending period for the return being amended

(May 2008). To choose a period, use two digits for the month "05" and four digits for the year "2008."

2. Enter a two-digit reason code for amending the return (see reason codes on page 18).
3. Enter "5500" and then the pound key (#) for the gross receipts line (there is no adjustment to this amount).
4. Enter "3000" (the corrected general rate taxable sales), followed by the # key. Press 1.
5. Follow the prompts for any other tax types for which you may be registered. e-File Minnesota will calculate your amended return.
6. Press 1 if the amended return is correct, press 2 to repeat the total, or press 3 to start over.
7. Write down the confirmation number and date filed for your records.

Amending a return (continued)

How to file

To amend a return, login to e-File Minnesota either online or by phone. Follow the prompts to file an amended sales tax return using the steps below:

1. **Select the period you are amending.** Enter the date of the reporting period you are amending. On the phone, you must enter two digits for the month and four digits for the year (*mmyyyy*).
2. **Select the reason for amending the return.** On the Internet, you'll select the reason from a list. On the phone, you'll enter a two-digit reason code. See "Reason codes for amending returns" on this page.
3. **Enter the correct taxable amounts.** When amending a return, report the correct taxable amount for each line item as though you are filing the return for the first time.

When entering the correct figures on the amended return:

- round all amounts to whole dollars
- *do not* use commas
- use a minus sign (-) for negative numbers
- enter the correct taxable amount for each tax line as though you are filing the return for the first time. If there is no change to the amount originally reported, you still need to enter the correct amount on the amended return.
- complete all tax lines on the return. For example, if you are adjusting both Minnesota and Minneapolis sales tax, enter the correct taxable amount on each of those tax lines.

Note: The system will calculate any interest.

Keep your confirmation number and filing date for your records.

Balances due and refunds

The system will automatically calculate any amount you owe or refund you can expect.

If your amended return results in additional tax due, you can either:

- pay the additional tax electronically using the e-File Minnesota system; or
- if you are not required to make electronic payments, you can call our office and ask that we send you a payment voucher. File your amended return electronically and send us your check along with the payment voucher.

If your amended return results in a reduction in the amount of tax due, we will refund it to you. **Do not take credit for the overpayment on other returns.**

If the original return you are amending was filed late, penalty and interest will apply to any additional amount you owe. *Note:* This amount will not be calculated in e-File Minnesota; a separate bill may be sent.

Reason codes for amending returns

Code	Reason	Code	Reason
14	Advertising materials and exempt publications. Sales tax charged incorrectly to customers (or use tax accrued) on exempt publications or advertising materials shipped out of state.	24	Resource recovery exemptions. Sales tax incorrectly charged on items purchased with resource recovery facility exemption authorization.
15	Agricultural and industrial production exemption. Sales tax incorrectly charged to customers (or use tax accrued) on materials, packaging supplies or short-lived accessory tooling consumed in agricultural or industrial production.	25	Sales tax accounting errors. Incorrect taxable amount used to calculate tax liability on original return.
16	Direct pay. Sales tax incorrectly charged to customers on items purchased with direct pay authorization.	26	Special tooling. Sales tax incorrectly charged (or use tax accrued) on special tooling.
17	Exempt organization/federal government. Sales tax incorrectly charged to a charitable, religious or educational organization; Indian tribal council; the federal government; or an exempt local government agency such as a school or hospital.	27	Including tax in taxable amount. Tax incorrectly included in the taxable amount used to calculate your sales tax liability.
18	Farm machinery. Sales tax charged at an incorrect rate, or tax charged on exempt repair parts or farm machinery.	28	Paying tax to another state. Sales tax incorrectly charged (or use tax accrued) on items legally taxable in another state, when the other state's tax was paid or assessed in an audit. (See <i>Variable-rate purchases</i> on page 14 of the Minnesota Sales and Use Tax Instruction Booklet if the other state has a sales/use tax rate different from the Minnesota rate.)
19	Interstate commerce/intercity or intercounty commerce. State sales tax or local sales tax charged on items shipped out of state or out of the local taxing area.	29	Tax paid twice. Sales tax charged and use tax accrued on the same transaction.
20	Leases of tangible items. Sales tax charged on equipment that was part of a lease/finance agreement or a sale/leaseback agreement.	30	Use tax accrual errors. Incorrect taxable amount used to calculate use tax liability.
23	Resale exemptions. Sales tax charged on items to be sold or leased by your customer at retail.	31	Utilities (electric, gas, steam, water or other fuels). Sales tax incorrectly charged on utilities to customer who is exempt for agricultural production, industrial production, or residential use.
		32	Other. Use only if none of the codes listed above describes the error.